

UTAH OIL & GAS PRODUCTION TAX SUMMARY

Oil and gas exploration and production companies and their investors operating on state, federal, tribal and fee (private) lands in Utah pay all of the taxes paid by any other business that are levied by Utah, its counties, cities and tribes within its borders. In addition, the oil and gas industry pays the following unique taxes.

Severance Tax - Based on the price received from the sale of oil and gas.

Recipients:

State of Utah on Sliding Scale*

- Oil is taxed at 3% of the first \$13/barrel (bo) of oil value and 5% of the value in excess of \$13.01/bo.
- Natural Gas is taxed at 3% of first \$1.50/thousand cubic feet of gas (Mcfg) of gas value and 5% on the value in excess of \$1.51/Mcfg.

*A portion of Severance Tax paid in Uintah County and Duchesne County is shared with the two counties and the Ute Tribe.

Ute Indian Tribe

- Oil and gas are taxed at 10% of price received for the sale of oil and gas.

Navajo Tribe

- Oil and gas are taxed at 7% of the price received for the sale of oil and gas (4% Severance Tax + 3% Possessory Interest Tax)

Ad Valorem Property Tax (State-Assessed) – Consists of property tax on equipment and facilities and on the value of developed reserves of oil and gas in the ground.

Recipients: Counties levy personal property tax on oil and gas production equipment based on their tax rates. The “fair market Value” of a producing property is calculated using a discounted cash flow model and the county’s tax rate is applied. Average is probably +/-5% of produced value of oil and gas.

Utah Conservation Fee – Based on the price received for the sale oil and gas.

Recipient: State of Utah = 0.02% (directed to the Division of Oil, Gas and Mining).